



Investment Office

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September 19, 2005

AGENDA ITEM 6a

TO: MEMBERS OF THE INVESTMENT COMMITTEE

- I. SUBJECT:** Spring-fed Special Projects Consultant Pool
- II. PROGRAM:** CalPERS Real Estate – Core and Non-Core Programs
- III. RECOMMENDATION:** Investment Committee may interview in October 2005, or approve the staff-recommended Consultants to be added to the existing Real Estate Spring-fed Special Projects Pool.
- IV. ANALYSIS:**

Background

At the August 16, 2004 Investment Committee meeting, the Investment Committee granted approval for staff to begin the competitive selection process for the General Real Estate Consultant and Spring-fed Pool Consultants.

The steps of the competitive selection process approved by the Investment Committee included the following: 1) release a Request for Proposal (RFP) with a stipulated deadline for filing proposals; 2) Evaluation Committee to conduct a technical and fee evaluation of the proposals submitted, score the proposals and create a ranked list of successful proposers; 3) Staff to recommend the proposers for the General Real Estate Consultant services and the Spring-fed Pool Consultant services to the Investment Committee; 4) Investment Committee to interview, if needed, and select the General Real Estate Consultant and the Spring-fed Pool of consultants to be awarded contracts with a start date of July 1, 2005.

At the February 14, 2005 Investment Committee meeting staff recommended Pension Consulting Alliance as the General Real Estate Consultant and recommended Courtland Partners, Ltd., Pension Consulting Alliance, Inc., Bard Consulting, PricewaterhouseCoopers, LLP., and Westwood Consulting Group, Inc. to be in the Spring-fed Pool of Consultants. The Committee members approved the staff recommended selection of the General Real Estate Consultant as well as the Spring-fed Pool of consultants without a subsequent Committee interview.

As there was more interest from other consulting firms to join our Spring-fed Special Projects Pool and since there was a need to further expand the pool in selected areas (Accounting, Housing, Loan services, etc.), a new RFP was issued June 8, 2005 to refresh the Spring-fed Pool of consultants. The proposals were due July 13, 2005.

An Evaluation Committee consisting of four (4) Real Estate staff members reviewed and scored five (5) proposals. A profile of each of the proposers has been prepared by staff and is included in Attachment 1.

The Evaluation Committee, as required by the Request for Proposal, assigned a maximum score of up to 200 points for the Technical Proposal Questionnaire and 200 points for the Proposer's Fee Schedule. Please see Attachment 2 for the Evaluation Committee scores of each proposal.

Recommendation

The RFP states that the Investment Committee may interview the staff-recommended Spring-fed Pool Consultants. Staff would like the direction if the Investment Committee would like to interview the staff-recommended consultants at the October 2005 Investment Committee meeting, or if the Committee would like to approve the selection of the staff-recommended consultants. The contracts for this Refresh RFP are estimated to be effective November 1, 2005 through June 30, 2008. Contracts may be extended for two (2) one-year terms.

If the Investment Committee decides to approve the selection of the Refresh Spring-fed Pool Consultants, the staff Evaluation Committee recommends that the Investment Committee select the following firms, subject to satisfactory contract and fee negotiations.

Refresh Spring-fed Pool Consultants

- Conrad and Associates, L.L.P.
- Le Plastrier Development Consulting
- JRT Realty Group, Inc.
- KPM Associates
- Situs Realty Services

If the Investment Committee decides to interview the staff-recommended Refresh Spring-fed Pool Consultants, the following firms will be notified to appear at the October 17, 2005, Investment Committee meeting for an interview by the Committee.

Refresh Spring-fed Pool Consultants

- Conrad and Associates, L.L.P
- Le Plastrier Development Consulting
- JRT Realty Group, Inc.
- KPM Associates
- Situs Realty Services

According to the RFP, the maximum score for the finalist interview is 600 points. If interviews are conducted by the Investment Committee, the interview score added to the Evaluation Committee score will constitute the total score for each finalist.

All the recommended companies have specific real estate expertise in some niche property type (such as single family homes, senior housing, etc.) or they have a wide array of real estate expertise, as well as experience working with other large institutional organizations. Therefore, the Evaluation Committee feels that adding the above consulting companies to our existing Spring-fed Pool of consultants would add value to the real estate Core and Non-Core programs. Other benefits of having a wider pool of consultants are having a broader range of expertise, limiting potential conflict of interest situations, reducing or eliminating current sub-contracting of consultants, and adding competition.

V. STRATEGIC PLAN:

Goal VIII, Objective 5, states that “a system is in place that identifies the most efficient and effective use of our resources in making Board and staff decisions on asset allocation and asset management.”

VI. RESULTS/COSTS:

At the August 16, 2004, Investment Committee meeting, staff indicated that the contract amounts for the new Real Estate Consultants (General and Spring-fed Pool) would be \$1,500,000 annually of which \$900,000 is allocated to the Spring-fed Pool.

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CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SPRING-FED SPECIAL PROJECT POOL REFRESH

REQUEST FOR PROPOSAL NO. 2004-3583

PROFILES OF EACH OF THE PROPOSING FIRMS

CONRAD AND ASSOCIATES, L.L.P.

LE PLASTRIER DEVELOPMENT CONSULTING

JRT REALTY GROUP, INC.

KPM ASSOCIATES

SITUS REALTY SERVICES

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SPRING-FED SPECIAL PROJECT POOL REFRESH

REQUEST FOR PROPOSAL NO. 2004-3583

EVALUATION COMMITTEE SCORES
